Funds link executives' pay to performance

By Brad Rudin

Driven by the need to attract top-notch eople, both private and public pension lan sponsors are inching toward a system hat ties the chief investment officer's pay o fund performance.

Rather than focusing on the external or nternal money manager, the usual subject f attention when performance-based compensation is discussed, this approach targets the staff member who oversees the und's managers.

Since 1982, state pension systems in outh Dakota and California have adopted ompensation systems that are based parially on their respective fund's investment erformance. In addition, GTE Services Corp., a unit of GTE Corp., and the Rockeeller Foundation have taken a similar pproach.

"I think there is a trend," said Stephen R. Myers, investment officer at the South Dakota Investment Council, Sioux Falls, nd a supporter of performance-based pay.

"I've received a number of calls from a umber of boards of directors of state unds. Some of them are visiting my office n the next couple or three months" to disuss internal management and performance-based salaries, Mr. Myers said.

Although Mr. Myers' counterparts at other public pension plans said they support incentive pay for portfolio managers — as adopted in Virginia — few backed a compensation system that linked the chief investment officer's salary to fund performance.

They disputed the fairness of any compensation system that held chief investment officers accountable for decisions made by a board of trustees or a money manager.

The move toward performance-based compensation is slow in the public sector because the change frequently requires legislative approval. In addition, skepticism among the investment officers slows the pace of change.

In the private sector, corporate executives are wary about compensation plans that boost costs and create special entitlements.

But the push toward performance-based pay remains, the product of a need to hire — and keep — the best staff.

Mr. Myers oversees the state's $1.3 billion investment portfolio, of which 95% is managed internally. Of the total, $900 million is pension assets. He said South Dakota in 1982 became the first state to link fund performance to the chief investment officer's compensation.

Under the South Dakota system, the investment officer receives a bonus worth 33% of his base pay if the fund finishes the year in the top 25 percent of a universe established by SEI Funds Evaluation Services, Wayne, Pa., Mr. Myers said.

South Dakota's yearly investment return is compared with the composite of five benchmarks that mark the performance of public- and private-sector funds.

If the South Dakota fund ranks between the 26th and 33rd percentile, the investment officer receives a 25% bonus. Performance below the 34th percentile results in no bonus for the investment manager, Mr. Myers said.

He receives a base salary of $72,000. The bonus is paid on an annual basis, based on the fund's performance of the past two years. In both 1984 and 1985, Mr. Myers received the 33% bonus.

California followed suit in 1985, when the California Public Employees' Retirement System, Sacramento, hired Greta E. Marshall to administer the now-$36.3 billion pension fund.

Ms. Marshall, formerly the president of Bay Banks Investment Management in Boston, said she would not have come to California without the incentive system.

Ms. Marshall qualifies for a bonus depending on the performance of the fund relative to the Standard & Poor's 500 stock index, the Consumer Price Index and the fund's actuarial rate of return. Performance is also measured against bond duration targets.

The incentive system could give Ms. Marshall, a contract employee with a base salary of $125,000, up to $25,000 in additional pay this year, up to $50,000 next year and $75,000 in the year after that.

In March, the Virginia Supplemental Retirement System, Richmond, started a system that links the compensation of its internal portfolio managers to fund performance. The system's chief executive, however, remains unaffected by the change.

The list of states using performance-based pay systems likely will grow, Mr. Myers said. "There are a number of states that have it before their boards of directors, but I'm not going to tell you who they are."

In the private sector, only GTE Services Corp., Danbury, Conn., and the Rockefeller Foundation, New York, could be identified as having compensation systems that hinge on fund performance.

Continued on page 55

8 commit to venture capital

High-technology, health-care partnerships chosen

By Trudy Ring

At least eight tax-exempt funds ade initial or additional venture apital commitments recently, hoosing partnerships oriented to igh technology or health care.

The $485 million CIBA-Geigy orp. pension fund, Ardsley, N.Y., ade its first venture capital ommitments, allocating $2.5 million to each of three partnerships - Interven Partners, Los Angeles; outhern California Ventures II, nglewood, Calif.; and Lawrence enture Associates, New York.

William McHugh Jr., CIBA-Geigy's manager-trust investments, said the commitments are n accordance with a new asset llocation strategy that allows the und to put up to 5% of its assets nto venture capital. The goal in sing venture capital is to enhance eturns and diversify investments, e said.

The fund likely will commit to ght or 10 partnerships overall, Ir. McHugh said. Wilshire Associates, Santa Monica, Calif., is elping select the partnerships.

The $402 million Avon Products nc. pension fund, New York, ommitted $3 million to each of hree venture capital partnerships — Interven Partners, Lawrence Venture Associates and S & L Health Care Ventures, New York.

Avon made the commitments because locking in gains with a dedicated bond portfolio allowed the fund to take more risk in other areas, said Helmuth Fandl, vice president-taxes. The fund dedicated $65 million and put $35 million into stock index funds (*Pensions & Investment Age*, Jan. 6).

Its only earlier venture capital commitment was $10 million to Venture Lending Associates, New York, two years ago, Mr. Fandl said. Now, also with the help of Wilshire, Avon likely will look at other venture capital investments to bring its commitment to about 10% of total assets, he said.

The $565 million San Bernardino County Employees' Retirement Association in California committed $3 million each to Interven Partners and Southern California Ventures II.

These are the fund's first pure venture capital commitments, although it has invested in leveraged buy-outs, said Richard Yankee, retirement administrator. The venture capital investments complete the fund's application of its new asset allocation model, Mr. Yankee said.

The $47 million University of Tennessee endowment fund, Knoxville, also made its initial venture capital commitment, allocating $1 million each to Interven Partners and Lawrence Venture Associates.

"Our fund had reached the level where it had sufficient funds to begin to include some non-traditional investments," said A. David Martin, treasurer. The high rate of return available with venture capital made it an attractive investment, he said.

The fund eventually will put between 5% and 10% of its assets in venture capital, Mr. Martin said.

The $40 million Echlin Inc. pension fund, Branford, Conn., committed $500,000 to Southern California Ventures II and $600,000 to Abacus Ventures, Stamford, Conn., said Bill Bowman, spokesman for the fund. The pension fund had invested in an earlier fund raised by Southern California Ventures' principals, he said.

The $6.5 billion Oregon Public Employes Retirement System, Salem, committed $5 million to Interven Partners, said James C.

Continued on page 53

Torray's firm loses business from 11

By Joel Chernoff

BETHESDA, Md. — Robert E. Torray & Co. Inc., considered one of the pre-eminent investment management firms when it was known as Torray Clark & Co. Inc., has lost part or all of at least 11 accounts, totaling about $1 billion in assets.

Clients terminating or paring their allocations to the contrarian manager cite various reasons, including the firm's disastrous performance in the past two years and the departure in December of David Clark, who many viewed as Torray Clark's key stockpicker.

But some clients, including Trans World Airlines Inc., New York, dropped Torray as part of broader restructurings unrelated to the firm's situation.

Others are reviewing their commitments, while still others are sticking to their guns. Robert Torray, president of the firm, was unavailable for comment.

Torray's heavy bet on energy-related stocks, accounting for roughly 30% of invested equity assets, has dragged down its performance. In addition, it typically has held 30% of assets in cash during the past year's bull market, sources said. According to CDA Investment Technologies Inc., Silver Spring, Md., Torray's equity assets, excluding cash, had a return of −0.6% for the year ended March 31, compared with 37.7% for the Standard & Poor's 500 stock index. For the two-year period, the firm had a 0.2% compound annual return vs. 28% for the S&P. For five-year figures, Torray fared better, with a 14.7% compound annual return, compared with 17% for the S&P.

According to the firm's filing with the Securities and Exchange Commission in Washington, it managed $2.43 billion in assets as of March 1986. The loss of several major accounts has sharply eroded the firm's asset base. Since fall, client defections have become more frequent. The Washington State Retirement

Continued on page 51

3 enter international arena

By Rose Darby

Pacific Gas & Electric Co., the assachusetts Pension Reserves vestment Trust and the Houston unicipal Employees' Pension an all hired their first internaonal investment managers for a tal of $145 million.

PG&E, San Francisco, with $2.1 llion in assets, put about 5%, or '0 million, of its equity allocaon into non-U.S. equities, said nny Oberoi, director of pension nd management.

Capital Guardian Trust Co., Los ngeles, was given $30 million to n in a core-type account; Putm International Advisors, Boston, ill manage a $20 million aggressive owth equity fund; and Arnhold & Bleichroeder International, New ork, will manage $20 million in lue-oriented international equis, he said. PG&E might increase commitment in the future, he id.

PRIT in Boston, which has $1.25 billion in assets, hired three managers to run South Africa-free, non-U.S portfolios, with more hirings to take place soon, said Dan Kelly, director of program development. The managers are: N.M. Rothschild International Asset Management Ltd., London; Scudder, Stevens & Clark, New York; and Warburg Investment Management International Ltd., New York.

PRIT allocated $45 million total to international. The PRIT board is looking for an international equity index manager and an additional active equity manager, Mr. Kelly said.

"We are delighted with the choices we've already made," he said. "They did a lot of work with the South Africa restrictions we gave them."

The $435 million Houston plan hired Alliance Capital Management International Inc. and IDS International Inc., both in London, for $15 million each in non-U.S. equities, said Cliff Tuttell, chairman of the board of trustees. ■

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Illinois fund realigns; $1.1 billion affected

By Trudy Ring

CHAMPAIGN, Ill. — The $2.3 billion Illinois State Universities' Retirement System has more than doubled its investment in passive strategies, made its first international commitment, adopted portfolio insurance and increased its real estate investments.

More than $1.1 billion in assets will be affected in the strategy.

The system hired Wells Fargo Investment Advisors, San Francisco, to manage all its passive investments and provide portfolio insurance, also called dynamic hedging, said Jeanne Valcik, pension investment analyst.

"We felt like we were paying active management fees but we were basically performing passively, so we decided to go more passive," M$. Valcik said.

Wells Fargo will manage slightly more than $1 billion passively. The system had about $496 million committed to passive strategies previously, all in equities.

Wells Fargo will manage about $657 million in a stock index fund tracking the Wilshire 5,000. Another $246 million will be in a bond index fund tracking the Salomon Brothers Broad Investment Grade bond index.

In the system's first commitment to international investing, Wells Fargo will manage $118 million in a stock index fund tracking the Morgan Stanley Capital International Europe, Australia Far East index. The system went into international to add diversification, Ms. Valcik said.

The remaining portion of the passively managed money, about $34 million, will be in cash for use in the portfolio insurance program. Portfolio insurance involves the sale of financial futures to halt losses. A decline in the portfolio's value triggers the sale.

The portfolio insurance program will cover all domestic marketable securities, or slightly more than $2 billion of the fund, with a one-year time horizon and a −7.5% minimum rate of return. The system adopted portfolio insurance to capture gains and to be able to take on additional risk, Ms. Valcik said.

In real estate, the system committed $50 million to Aetna Life & Casualty Co.'s Real Estate Separate Account, Hartford, Conn., and an additional $37 million to The RREEF Funds, San Francisco. The fund already had about $100 million with RREEF.

In the restructuring, the system terminated four managers, she said. They were passive equity managers American National Bank & Trust Co. of Chicago, which ran $445 million, and Dimensional Fund Advisors Inc., Santa Monica, Calif., which handled $51 million; active bond manager Lehman Management Co. Inc., New York, which ran $330 million; and balanced manager Criterion Investment Management Co., Houston, which ran $42 million. ■

N. Dakota teachers picks 4

By Marci Baker

BISMARCK, N.D. — The North Dakota Teachers' Insurance & Retirement Fund has selected four bond managers in an overhaul that will introduce multiple managers and an increased equity exposure to the $290 million fund.

Bear Stearns Asset Management, New York; Sanford C. Bernstein & Co., New York; Criterion Investment Management Co., Houston; and Investment Advisers Inc., Minneapolis, each was allocated $45 million to run in fixed-income accounts, said Scott Engmann, executive secretary.

In addition, fund officials and its consultant, Callan Associates, San Francisco, are looking to hire at least two stock managers to increase equity exposure to the 20% maximum under state law.

The fund now is 10% invested in equities through a stock index fund with Wilshire Associates Asset Management Division, Santa Monica, Calif.

Funding for the new bond and stock managers will come from the Bank of North Dakota, Bismarck, which has been running $260 million in a fixed-income account. The bank will continue to manage some fixed-income assets for the fund.

"We're doing this to diversify and reduce risk," Mr. Engmann said. The moves follow an asset allocation study recently completed by Callan.

That study, among other things, recommends a 45% equity commitment. In line with that, the State Investment Board, which oversees the teachers fund along with a $200 million worker's compensation plan, wants legislation passed next year to ease the legal list of investment guidelines.

State law also requires the fund to have 50% in government securities. Bond investments must be rated AA or better.

Also, the fund is prohibited from using such vehicles as options or futures.

As a result, the four new bond managers all lean toward more conservative and short-term investment styles, but "all of their styles are different," Mr. Engmann said.

As a result of asset growth and the change in investment approach, the State Investment Board will hire a full-time investment officer, Mr. Engmann said. Now, Herbert Thorndal, president of the Bank of North Dakota, fills that role. ■

Corrections

- In the May 12 issue, the median **PIPER** equity commingled fund return for the 10 years ended March 31 was reported incorrectly. The median return was a compound annual 13.6%.
- **Reserve Management Corp.** is in New York. A chart of mutual fund families in the May 12 issue gave an incorrect location.
- Total assets under management by **Manufacturers Life Insurance Co.**, Toronto, Ontario, were $13.1 billion, as of Jan. 1. The figure was given incorrectly in the May 19 special profiles issue of investment managers.
- Asset to liability ratios relating to **Union Carbide Corp.**'s use of a new kind of annuity in terminating its pension fund were incorrectly stated as percentages in a June 23 story. For example, a statement saying Union Carbide "effectively has no constraints on the investment management of the assets covering its liabilities" should have continued, "as long as assets exceed accrued liabilities by 1.2 or 120%."

Opinion

Raymond a warning on ESOPs

EMPLOYEE STOCK OWNERSHIP PLANS should not be the sole retirement plan for any company.

Many experts, including strong proponents of ESOPs, have stated this in the past. Their warnings have been given strength by the plight of the Raymond International Inc. ESOP.

The value of Raymond International's shares, 65% of which are owned by the ESOP, has plunged in the wake of the oil price decline, because the company's fortunes were tied closely to the fortunes of the oil industry.

Now the company is negotiating with its creditors to restructure $200 million in debt used to finance the leveraged buy-out of the company by the ESOP.

Unfortunately, Raymond International terminated its defined benefit plan in 1983 and recaptured $30 million in surplus assets to help finance the buy-out, leaving the ESOP as the only retirement plan.

Perhaps Raymond International will be able to negotiate a restructuring with its creditors and will survive to prosper when the oil price slump is reversed. But if it should fail, employees will receive little in the way of additional pension benefits for the past three years of service.

The Raymond employees are lucky they received annuities for the pension benefits they had accrued before the ESOP was started. They will thus have some pension benefits should the worst occur.

But in other companies where an ESOP is used as the sole pension plan, the employees may have all of their eggs in one basket. If the company fails, not only do they lose their jobs, but also they lose their pension benefits because the Pension Benefit Guaranty Corp. does not guarantee the benefits of an ESOP.

An ESOP is an excellent device to spur employee participation in companies, to share the corporate wealth and to enhance employee productivity.

It is an excellent employee benefit, a supplement to some other retirement plan.

It is not a good vehicle as a sole retirement plan.

Tax reform tests investor stamina

THE TAX REFORM BILL will provide pension funds invested in real estate an opportunity to prove they are the long-term investors they are supposed to be.

Most experts seem to agree the tax reform bill will cause real estate prices to drop in the short term, but will be positive for real estate investment returns in the long run.

This is because the new tax rules will eliminate real estate tax shelters and drive the tax-shelter syndicators out of the market. Already some syndicators reportedly are preparing to sell some of their properties. This will drive down real estate prices in the near term.

However, some buildings that might have been built to take advantage of the old tax laws will not now be built. As a result, the surplus of office space in various parts of the country eventually will be absorbed and rents should rise.

Thus, in the long run the return on investment from real estate should be higher than it would have been without tax reform.

The positive effect of tax reform may not show itself, however, for a year or two, until the office surplus has been absorbed.

Thus, only if a pension fund is truly a long-term investor, and somewhat contrarian, will it make a significant contribution to real estate now.

At the end of the year the pension industry will be able to tally how many long-term, contrarian investors are in its ranks.

Funds' moves provide social benefits

MANY TIMES *Pensions & Investment Age* has editorialized against the use of pension assets for "social investing" — that is, accepting lower investment returns while using the funds to achieve some social good unrelated to the needs of the pension beneficiaries.

Most pension fund investments already are producing social benefits by securing the retirement benefits of beneficiaries, and making available investment resources for the growth of business or industry.

But some investments produce social benefits that are more obvious to the general public. Too often, these have been mistaken for "social investments."

An example is a pension fund investment in housing. When such an investment is made at below-market rates of return it is "social investing."

When it is made at market rates of return it is not "social investing," although it still performs a social good.

The former is objectionable. The latter is not.

Two East Coast public pension funds and a West Coast union fund have taken the latter route with real estate investments.

The Pension Reserves Investment Trust of Massachusetts, the Massachusetts State Employees' & Teachers' Retirement System and the International Longshoremen's and Warehousemen's Union and Pacific Maritime Association pension fund have all made real estate investments in housing at market rates.

The trustees of these funds should be applauded for making the investments at market rates of return, resisting what must have been a temptation to make the money available at below-market rates.

Below-market rates might have won the trustees political points, but would have imposed a hidden cost on the beneficiaries.

Letters to the editor

Editor's note: The letters printed below, and on page 46, are in response to Pensions & Investment Age's *May 19 directory of investment advisers.*

Systematic Investors

To the Editor: A profile on Systematic Investors Inc. was not included in the May 19 special profiles issue of the largest money managers.

As of Jan. 1, Systematic Investors, 184 High St., Boston, Mass. 02110, (617) 423-9691, had $30.5 million in total assets under management. All were tax exempt. The approximate asset mix was 76% stocks and 24% bonds.

There were four corporate, tax-exempt clients. Minimum account size is $3 million.

Systematic Investors is primarily a balanced manager, using a quantitative approach. In equities, 90% of all performance is derived from exposure to market volatility. Securities are grouped within classes, representing this exposure with predictable long-term returns.

The fixed-income orientation is long-term, with monetary and economic policy dominating the outcome. Much less emphasis is placed on swapping sectors, coupons and maturities.

There are two portfolio managers.

Clients include Beverage Management, Frozen Food Express, Farmland Industries and National Gypsum.

Loren M. Wood, president, is chief investment officer and client contact.

Wayne J. Archambo
Systematic Investors Inc.
Boston

Brown Brothers

To the Editor: I apologize for the confusion in missing the deadline for the May 19 directory of investment managers. I guess we are not very good at filling out forms. More importantly, perhaps, I should also add that at the time yours was due, we had yet to receive a final tally on total assets under management.

The correct numbers are as follows:

Total assets managed, $10.29 billion; tax-exempt assets managed, $6.34 billion; international assets managed, $303 million; passive assets managed, $370 million; minimum separate account, $1 million; tax-exempt clients, 430; types of accounts managed — corporate, endowment, foundation, government, jointly trusteed; number of portfolio managers, 65; and size of research staff, 25.

The bottom line of all the above is that the firm added 29 tax-exempt clients in 1985, and increased tax-exempt assets under management by $493 million.

Frank J. Keeler
Manager
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100 largest investment institutions ($ mil.)

The following table is an updated listing of the 100 largest investment institutions. Assets are as of Jan. 1 and include subsidiaries. The first listing ran in the May 19 issue of *Pensions & Investment Age.*

1.	Prudential Insurance	123,200
2.	Metropolitan Life Insurance	94,080
3.	Equitable Life Assurance	91,400
4.	Chase Manhattan	87,687
5.	Aetna Life and Casualty	83,484
6.	American Express	74,777
7.	Merrill Lynch	58,774
8.	Security Pacific	53,600
9.	Citicorp	49,700
10.	Wellington Management/TDP&L	48,245
11.	Bankers Trust	46,860
12.	Travelers Insurance	45,254
13.	TIAA-CREF	45,000
14.	FMR	40,000
15.	J.P. Morgan	39,843
16.	CIGNA	39,000
17.	John Hancock Mutual Life	37,088
18.	Mellon Bank	34,240
19.	Wells Fargo	33,546
20.	Sears Roebuck*	32,766
21.	Wachovia Bank	31,786
22.	Dreyfus Group	31,000
23.	New York Life Insurance	31,000
24.	Manufacturers Investment	31,000
25.	State Farm Group	30,000
26.	New England Mutual Life	29,379
27.	California Public Employees	29,166
28.	Scudder Stevens & Clark	28,530
29.	Kemper	28,355
30.	General Electric	26,400
31.	New York State Common Fund	25,997
32.	The Capital Group	24,309
33.	First Interstate Bancorp	23,000
34.	First Chicago	20,803
35.	Marsh & McLennan/Putnam	19,357
36.	T. Rowe Price Associates	18,600
37.	Northern Trust	18,000
38.	Hartford Life Insurance	17,742
39.	BankAmerica	17,227
40.	Franklin Resources	17,000
41.	Northwestern Mutual Life	16,784
42.	E.F. Hutton Group	16,000
43.	Massachusetts Mutual Life	15,579
44.	New York State Teachers	15,303
45.	American General	15,300
46.	Bankers Life	15,149
47.	Pacific Mutual Life	15,093
48.	Chemical New York	15,013
49.	Van Kampen, Merrit	14,706
50.	State St. Bank and Trust	14,454
51.	CNA Financial	14,169
52.	Wilmington Trust	14,000
53.	Lincoln National	13,550
54.	JMB Realty	13,400
55.	Harris Bankcorp	12,900
56.	MONY	12,806
57.	PMC Financial	12,610
58.	N.J. Division of Investment	12,494
59.	Delaware Management	12,409
60.	Fidelcor	12,000
61.	Batterymarch Financial Mgt.	11,905
62.	The Criterion Group	11,500
63.	Fiduciary Trust, N.Y.	11,216
64.	Texas Teachers Retirement	11,188
65.	U.S. Trust Co., N.Y.	11,154
66.	Nationwide Mutual Insurance	11,115
67.	Bank of New England	10,900
68.	Continental Illinois	10,839
69.	Wisconsin Investment Board	10,800
70.	Stein Roe & Farnham	10,800
71.	Ohio Public Employees	10,760
72.	Michigan State Employees	10,516
73.	AmeriTrust	10,406
74.	First Bank Systems	10,400
75.	Mass. Financial Services	10,325
76.	Mitchell Hutchins Asset Mgt.	10,301
77.	Ohio State Teachers	10,178
78.	Liberty Mutual	10,000
79.	Oppenheimer Holdings	10,000
80.	Washington Investment Board	9,900
81.	Brown Brothers Harriman	9,847
82.	Minnesota State Board	9,800
83.	Neuberger & Berman	9,587
84.	Mutual Benefit Life	9,444
85.	Bank of New York	9,200
86.	Trust Co. of the West	9,110
87.	Fayez Sarofim	9,061
88.	Boatmen's Bank Shares	9,000
89.	Endowment Mgt. and Research	9,000
90.	Continental	8,838
91.	Fischer Francis Trees & Watts	8,800
92.	N.C. Retirement System	8,733
93.	Miller Anderson & Sherrerd	8,400
94.	Connecticut Mutual Life	8,355
95.	NBD Bancorp	8,190
96.	U.S. Steel & Carnegie	8,000
97.	INVESCO	8,000
98.	Rothschild Inc.	8,000
99.	Centerre Trust	7,984
100.	Transamerica	7,805

*Estimate

Letters to the editor

Editor's note: The letters printed below, and starting on page 10, are in response to Pensions & Investment Age's *May 19 investment advisers directory.*

Flippin, Bruce, Porter

To the Editor: We have just received the May 19 special profiles issue and find our new investment advisory firm is not listed. Please accept the following data.

Flippin, Bruce & Porter Inc., 800 Main St., Suite 202, Lynchburg, Va. 24504; (804) 845-4900.

Total assets managed, $133 million; tax-exempt assets managed, $95 million; minimum separate account, $1 million; tax-exempt clients, 3; types of accounts managed, corporate and endowment; and number of portfolio managers, 2.

Flippin, Bruce & Porter Inc. is an equity only and equity-oriented balanced manager.

A contrarian equity approach is used with decisions made by looking beyond current investor emotion, discounting Wall Street expectations and then relating historical financial company characteristics to current price.

In fixed income, the firm uses governments and short maturity corporates to create a "barbell of quality" structure, which produces a short average maturity with a higher-than-average yield.

The asset mix Jan. 1 was 82% stocks, 13% bonds and 5% cash.

Clients include Mead, Montague Betts and Sweet Briar College.

John M. Flippin, John T. Bruce, and R. Gregory Porter are principals and client contacts.

We regret we did not call to request a questionnaire and do appreciate your consideration in publishing our firm's data.

R. Gregory Porter III
Flippin, Bruce & Porter Inc.
Lynchburg, Va.

Herbert R. Smith Inc.

To the Editor: Enclosed is our contribution. Thank you . . .

Herbert R. Smith Inc., 1105 Holliday, Wichita Falls, Texas 76301; (817) 723-5565.

Total assets managed, $1.497 billion; tax-exempt assets managed, $197 million; minimum separate accounts, $2 million; tax-exempt clients, 25; types of accounts managed — corporate, endowment, foundation, government and jointly trusteed; and number of portfolio managers, 3.

Herbert R. Smith Inc. is a fixed-income, equity and balanced fund manager. The firm applies a dual screen approach of technical and fundamental analysis to its decision-making process in both the fixed-income and equity sectors.

Fixed-income policy centers on a risk-averse but active approach, making use of high-quality and short- to intermediate-maturity structures. Maturity selections are a function of yield curve and risk-reward analysis.

Equity selections center on a profile of strong earnings growth, moderate p/e ratios and high return on equity. Technical patterns are very important to initial selection and to retention. Portfolios contain a definite representation in medium- and small-capitalization situations. Research is 60% to 65% internally generated; 70 stocks are followed closely. Because of the firm's heavy use of computers, a very large general universe is followed.

The asset mix Jan. 1 was 85% bonds, 5% stocks and 10% cash.

Clients include Texas Instruments, Noble Affiliates, Continental Airlines and Trailways Lines.

Herb Smith, chairman, Murphy Davis, vice president, investment officers-client contacts.

Herbert R. Smith
Chairman
Herbert R. Smith Inc.
Wichita Falls, Texas

Investment Mgmt.

To the Editor: We at Investment Management Group of Wichita, Kan., were pleased to submit data for your recent profile issue on money managers. However, that data was overlooked for inclusion in this publication.

Investment Management Group is an independent investment adviser specializing solely in the management of fixed-income securities.

The fixed-income strategy encompasses interest rate anticipation based on macroeconomic forecasts. Portfolio durations are actively managed. Options on financial futures are utilized.

The Jan. 1 asset mix was 75% bonds, 20% mortgage-backed securities and 5% cash equivalents.

Clients include the state of Kansas, Wisconsin Public Service Corp. and MDU Resources Group.

Don S. Peters is the chief investment officer. Marc A. Vincent is client contact.

Total assets managed, $725 million; tax-exempt assets managed, $425 million; tax-exempt clients, 8; minimum separate account, $5 million; types of accounts managed — corporate, endowment, foundation, government, jointly trusteed; and number of portfolio managers, 3.

Marc A. Vincent
Senior portfolio manager
Investment Management Group
Wichita, Kan.

Mutual of America

To the Editor: We have reviewed the May 19 special profiles issue of *P&I Age* in which Mutual of America's profile appears on page 86.

In the fourth paragraph describing our operation in the profile, the asset mix that is defined as that of "tax-exempt assets Jan. 1" is actually the distribution of assets held in our separate accounts. This mix differs drastically from that of our total tax-exempt assets, which was stocks, 17.32%; bonds, 80.15%; cash, 0.36%; other, 2.17%.

Thank you . . .

Robert G. Malm
Vice president
Mutual of America
New York, N.Y.

Editor's note: The data requested and used for all insurers was for separate accounts.

Heitman Advisory

To the Editor: I would like to correct an error that was printed in the Heitman Advisory Corp. profile on page 67 of the May 19 issue. For future reference, Stephen M. Perlmutter is chairman of Heitman Advisory, not Norman Perlmutter, Herbert Kuehnle is vice chairman and David M. Glickman is president.

While I understand *P&I Age* was not at fault, please note the correction on all previously submitted questionnaires that contain the error. We appreciate your assistance in this matter, and the opportunity to work with you.

Gladys L. Jackson
Research analyst
Heitman Advisory
Chicago

CMB Investment

To the Editor: I would like to congratulate you on the May 19 issue. The profiles are interesting and the data most helpful. Unfortunately, the listing for CMB Investment Counselors contained several mistakes.

1. The mix of tax-exempt assets under management Jan. 1 was: stocks 18%, bonds 57%, mortgage-backed securities 18%, cash 7%.

2. CMB does not manage real estate assets. The percentage in mortgage-backed securities was applied to total tax-exempt assets.

3. CMB did not lose any accounts in 1985. The reduction in tax-exempt assets was the net of contributions and withdrawals. We manage one large account that is self-liquidating over time.

4. The brief description of the equity approach should read as follows: CMB identifies themes and concepts affecting equity values and emphasizes quality, operating momentum and values in stock selection.

5. Thomas J. Steffanci, senior managing director, is chief investment officer. Gordon C. Coomans, managing director, is client contact.

Gordon C. Coomans
CMB Investment Counselors
Los Angeles

Editor's note: Aside from the categorization of mortgage-backed securities as real estate assets, all other information in the profile was provided incorrectly by CMB.

First Trust Co. Inc.

To the Editor: Your special profiles issue incorrectly states the structure of First Trust Co. Inc.

First Trust is the product of the consolidation of two entities of First Bank System, the trust department of First Bank Minneapolis and First Trust Co. of St. Paul. First Trust did not merge with First Bank Minneapolis. Thanks for noting our correction.

William D. Bensman
Vice president
First Trust Co. Inc.
St. Paul, Minn.